



# City of Norman, OK

Municipal Building  
Council Chambers  
201 West Gray  
Norman, OK 73069

## Master

**File Number: K-1516-68**

**File ID:** K-1516-68

**Type:** Contract

**Status:** Consent Item

**Version:** 1

**Reference:** Item 32

**In Control:** City Council

**Department:** Legal Department

**Cost:**

**File Created:** 10/14/2015

**File Name:** Oklahoma City Water contract

**Final Action:**

**Title:** CONTRACT K-1516-68: A CONTRACT BY AND BETWEEN THE CITY OF NORMAN, THE NORMAN UTILITIES AUTHORITY, THE CITY OF OKLAHOMA CITY, AND THE OKLAHOMA CITY WATER UTILITIES TRUST FOR THE PURCHASE OF TREATED WATER FROM THE CITY OF OKLAHOMA CITY.

**Notes:** ACTION NEEDED: Acting as the City Council and the Norman Utilities Authority, motion to approve or reject Contract K-1516-68 with the City of Oklahoma City and the Oklahoma City Water Utilities Trust; and, if approved, authorize the execution thereof.

ACTION TAKEN: \_\_\_\_\_

**Agenda Date:** 10/27/2015

**Agenda Number:** 32

**Attachments:** Contract K-1516-68, OKC Water Presentation  
10-13-15

**Project Manager:** Kathryn Walker, Assistant City Attorney

**Entered by:** kathryn.walker@normanok.gov

**Effective Date:**

### History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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### Text of Legislative File K-1516-68

Body

**BACKGROUND:** The 2060 Strategic Water Supply Plan ("SWSP") was developed from 2012-2014 to strengthen our knowledge of potential short and long-term water supply source(s) for our community and to begin implementation of a robust, water supply solution acceptable to Norman's Water Utility customers. Ultimately, the Trustees of the Norman Utility Authority (NUA) selected moving forward with "Portfolio 14" which proposed, among other things, that long term water supply needs be addressed by expanding our groundwater supply system by two (2) million gallons per day (MGD) in the short term, and ultimately treating this new supply for arsenic and chromium 6 at a centralized facility with a total treatment capacity of 10.1 MGD.

Portfolio 14 recommended that the wellfield expansion occur between 2018 and 2023, adding two wells per year during this time to achieve needed groundwater supply. The SWSP recommended that NUA negotiate with the Oklahoma City Water Utilities Trust (OCWUT) to more consistently purchase treated water from Oklahoma City as a wholesale water customer (in place of the current contract which allows for intermittent "emergency" water purchases) during the interim period before the new wells are available to supplement our

existing supplies.

OCWUT is transitioning into a new rate structure and Staff has been working with Oklahoma City to finalize a contract for the purchase of treated water on a regular basis under their new rate structure. The agreement was discussed at the City Council Conference on October 13, 2015 and now comes forward for adoption.

**DISCUSSION:** It is proposed that NUA purchase 30.4 million gallons per month (1 million gallons per day) under OCWUT's "Treated Water - Outside Oklahoma City, Wholesale, Service Availability" rate tier. This means Norman will buy a fixed amount of treated water each month from Oklahoma City to supplement our existing supplies. We will be required to purchase this water even during months where our existing supplies may be sufficient to meet the needs of our customers.

The rate for this tier in OCWUT's current "water year" ending September 30, 2016 includes the Service Availability Reservation Rate (\$1.36 per 1,000 gallons) plus the Service Availability Commodity Rate (\$0.41 per 1,000 gallons) for a total rate of \$1.77 per 1,000 gallons. If NUA limits its monthly purchase to 30.4 million gallons, it will cost \$646,050 for the current fiscal year. The rate for the same tier in the following water year beginning October 1, 2016 includes the Service Availability Reservation Rate (\$1.56 per 1,000 gallons) plus the Service Availability Commodity Rate (\$0.43 per 1,000 gallons) for a total rate of \$1.99 per 1,000 gallons. If NUA stays within the 30.4 million gallon contract allocation, it will cost \$726,350 for the water year ending September 30, 2017. It is anticipated that OCWUT will raise rates again for subsequent water years beginning October 1, 2017. A service availability excess rate is allowed under this rate tier should NUA exceed its monthly contract allocation. In order to allow NUA to perform system balancing throughout its distribution system as it transitions to using 1 million gallons per day, however, the contract provides that if NUA exceeds the contract allocation, it will only be charged the regular rate, and not the excess rate, through January 2017. This will help ensure NUA can balance its system pressures to adjust to regular distribution of water through the existing waterline. Because of this transition period, the contract cannot be terminated during the first three years.

Water provided pursuant to this contract will be supplied using an existing 24 inch water line and meters. The NUA can request an increase in the subscribed monthly capacity reservation but cannot request a decrease. The monthly capacity reservation will be calculated or re-calculated on an annual basis based upon 90% of NUA's maximum historic monthly usage. This means that exceeding our monthly reservation of 30.4 million gallons could result in an increase in the reserved volume of water in the following year. If OCWUT acquires sufficient technology, it may begin re-calculating the monthly capacity reservation on a monthly basis instead of an annual basis. The term of the agreement is for 10 years; however, if the NUA decides that the Service Availability classification does not meet its needs, then NUA can terminate the contract upon written notice to OCWUT before January 1 of any year (beyond the initial three years) which shall be effective the following February 1.

**RECOMMENDATION:** Staff recommends approval of Contract K-1516-68.